

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00
DODE-00 EB-07 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 EPG-02 AID-05 SS-15
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02
FEAE-00 OMB-01 XMB-02 OPIC-03 /092 W
-----112840 191154Z /53

R 191021Z JUL 77
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 9251

C O N F I D E N T I A L WARSAW 5050

E.O. 11652: GDS
TAGS: ETRD PL
SUBJ: POLISH GOLF CARTS

REF: STATE 165180

1. SUMMARY: WE CONVEYED THE SUBSTANCE OF REF TO VICE MINISTER SPASOWSKI AND VICE MINISTER STRZELECKI ON JULY 18. THEY BOTH REPEATED THE SERIOUS CONCERN OF THEIR GOVERNMENT AT THE "SAD DEVELOPMENTS" IN THE GOLF-CART CASE AND SAID THAT A DECISION WHICH FORCED THE POLISH EXPORTER OUT OF THE U.S. MARKET WOULD INEVITABLY HAVE NEGATIVE CONSEQUENCES FOR US-POLISH TRADE. SPASOWSKI SAID HE FELT LOST AND DID NOT KNOW WHERE TO TURN. HE SAID HE WOULD BE LOOKING FOR ADVICE AS TO HOW TO PROCEED AND ASKED WHETHER THE GOP WOULD BE INFORMED OF THE CONCLUSIVE RESULTS OF TREASURY'S INVESTIGATION BEFORE OR AFTER A FINAL DECISION AS TO FAIR VALUE FOR 1976 AND 1977 HAD BEEN TAKEN. WE SAID WE WOULD ASK THE DEPARTMENT TO CLARIFY THIS POINT. STRZELECKI POSED SEVERAL QUESTIONS WHICH HE SAID WERE RAISED BY INTRODUCTION OF THE "NEW ELEMENT" OF MARATHON'S COSTS OF PRODUCTION INTO TREASURY'S ANALYSIS. END SUMMARY.

2. THE AMBASSADOR AND THE DCM, RESPECTIVELY, CALLED SEPARATELY
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ON VICE MINISTER OF FOREIGN AFFAIRS SPASOWSKI AND VICE MINISTER OF FOREIGN TRADE STRZELECKI ON JULY 18 TO CONVEY THE EXPLANATION OF TREASURY'S INVESTIGATION AND DELIBERATIONS ON THE LEVEL OF FAIR VALUE FOR POLISH CARTS SOLD IN 1976 AND 1977. WE POINTED OUT THAT, AS WE HAD FEARED, THE NEW INVESTIGATION UNDERTAKEN AT POLISH REQUEST HAD TURNED UP INFORMATION UNFAVORABLE TO THE POLISH SIDE. EXPLAINING THAT WE HAD RECEIVED FROM WASHINGTON A BRIEF

SUMMARY, AND NOT A DETAILED OR FINAL PRESENTATION OF THE FINDINGS OF THE CUSTOMS SERVICE, WE OUTLINED THE POINTS PROVIDED IN PARAGRAPH 2 IN REF. WE SAID THAT IF PRICES CHARGED BY MARATHON HAD IN FACT NOT COVERED ITS COST OF PRODUCTION, THEN TREASURY WOULD BE REQUIRED TO USE U.S. SELLING PRICES AS THE BASIS FOR CALCULATING FAIR VALUE. WE SAID THAT A FINAL DECISION ON THIS CASE HAD NOT YET BEEN TAKEN, HOWEVER, AND THAT TREASURY WILL PROBABLY NOT TAKE SUCH A DECISION FOR THE NEXT SEVERAL WEEKS. WE SAID THAT THE FINAL DECISION WOULD BE MADE AT THE HIGHEST LEVELS IN TREASURY AND THAT TREASURY WOULD "FULLY INFORM THE GOP ON THE RESULTS OF ITS INVESTIGATION AND THE CONCLUSIONS IT IS REQUIRED TO REACH AS A RESULT."

3. SPASOWSKI AND STRZELECKI BOTH REPEATED THE GOP'S CONCERN FOR A DECISION WHICH WOULD FORCE THE POLISH EXPORTER OUT OF THE U.S. MARKET. IN RESPONSE TO HIS QUESTION, WE ASSURED SPASOWSKI THAT HIS AIDE MEMOIRE HAD BEEN TRANSMITTED TO SECRETARY BLUMENTHAL AND RESPONSIBLE OFFICIALS AT STATE, COMMERCE AND NSC. SPASOWSKI ASKED WHETHER THE GOP WOULD BE GIVEN THE RESULTS OF TREASURY'S INVESTIGATION BEFORE A FINAL DECISION HAD BEEN MADE. WE SAID WE WOULD ASK FOR A CLARIFICATION FROM THE DEPARTMENT ON THIS POINT.

4. SPASOWSKI WAS GLAD TO HEAR THAT DEPUTY ASSISTANT SECRETARY ARMITAGE IS INFORMED OF DEVELOPMENTS IN THE GOLF-CART CASE. HE AND OFFICIALS AT THE MINISTRY OF FOREIGN TRADE WILL WANT TO CONFIDENTIAL

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DISCUSS THIS QUESTION WITH MR. ARMITAGE LATER THIS WEEK. SPASOWSKI SAID THAT HE FELT LOST ON THIS ISSUE AND THAT HE WOULD BE LOOKING FOR ADVICE AS TO HOW TO PROCEED. HE SAID HE WANTED TO DO SO IN A POSITIVE WAY, BUT THAT THERE APPEARED TO BE NO READY SOLUTION.

5. STRZELECKI SEEMED THE MOST TAKEN ABACK BY OUR EXPLANATIONS. HE SAID THAT HE HAD, OF COURSE, NO KNOWLEDGE AS TO THE COSTS OF PRODUCTION OF MARATHON AND THAT THIS WAS A NEW AND COMPLEX ELEMENT IN TREASURY'S DELIBERATIONS. HE SAID HE ASSUMED THAT THE U.S. SIDE WAS PREPARED TO DOCUMENT THE COSTS OF PRODUCTION OF MARATHON IN ORDER TO SHOW IN THE QUASI-JUDICIAL TREASURY PROCEEDINGS THAT THE COSTS WERE NOT COVERED IN 1976 SALES. HE ADDED THAT THE POLISH SIDE HAD IN THE EARLY STAGES OF THIS CASE BEEN READY TO COMPARE POLISH AND CANADIAN COSTS OF PRODUCTION, BUT THAT THIS APPROACH HAD BEEN RULED OUT. HE NOW WONDERED IF THIS APPROACH COULD BE RECONSIDERED.

6. STRZELECKI'S MAIN POINT, HOWEVER, WAS THAT THE GOLF-CART PRECEDENT WOULD PREVENT THE POLES FROM DEVELOPING INDUSTRIES, SUCH AS THE AVIATION INDUSTRY, WHICH ARE SPECIFICALLY ORIENTED TOWARD THE U.S. MARKET. THERE WERE ONLY U.S. PRODUCERS FOR MANY

OF THESE PRODUCTS, HE SAID, AND IT THEREFORE SEEMED CERTAIN THAT POLISH PRICES FOR SUCH GOODS WOULD HAVE TO BE EQUATED WITH U.S. SELLING PRICES, I.E., THAT THE POLES WOULD BE PRECLUDED FROM ENTERING THE U.S. MARKET. HE SAID THAT THE GOLF CART PRECEDENT WOULD THEREFORE UNAVOIDABLY HAVE A NEGATIVE IMPACT ON U.S.-POLISH TRADE. WE ASSURED STRZELECKI THAT THE TREASURY DECISION WOULD BE BASED ON THE REQUIREMENTS OF U.S. LAW AND SHOULD NOT BE SEEN AS HAVING IMPLICATIONS FOR ADMINISTRATION POLICY TOWARD TRADE WITH POLAND.

7. BOTH SPASOWSKI AND STRZELECKI THANKED US FOR OUR PRESENTATIONS AND SAID THEY WOULD PASS THIS INFORMATION ON TO THE APPROPRIATE AUTHORITIES.

DAVIES
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EQUIPMENT, FOREIGN TRADE, ANTIDUMPING LAW (TRADE), IMPORT PRICES, EXPORT CONTROLS, RECREATIONAL FACILITIES
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977WARSAW05050
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770268-0303
Format: TEL
From: WARSAW
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770740/aaaabiwa.tel
Line Count: 136
Litigation Code IDs:
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Message ID: 5f4b9a67-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 165180
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 04-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1812218
Secure: OPEN
Status: NATIVE
Subject: POLISH GOLF CARTS
TAGS: ETRD, EQIP, PL, US
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/5f4b9a67-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009